

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, FEBRUARY 2, 2010**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, February 2, 2010, commencing at 7:01 a.m.

Present: Council Member Hansen, Council Member Johnson, Council Member Mounce, Mayor Pro Tempore Hitchcock, and Mayor Katzakian

Absent: None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Second Quarter Fiscal Year 2009/2010 Water, Wastewater and Electric Utility Department Financial Reports (CM)

City Manager King provided a brief introduction to the subject matter of the quarterly utility updates.

Deputy Public Works Director Charlie Swimley provided a PowerPoint presentation regarding the Fiscal Year 2010 Water and Wastewater Quarterly Update. Specific topics of discussion included wastewater operating results, wastewater cash flow summary for operations, wastewater cash balances, water operating results, water cash flow summary for operations, water cash balances, and water/wastewater utility operational and regulatory accomplishments.

In response to Council Member Hansen, Mr. Swimley stated spills are generally related to grease overflows and manifest themselves onto streets in and around manholes.

In response to Council Member Hansen, Mr. Swimley stated some supplement of synthetics to the nitrogen is needed to even out the land to get the crops to grow. Mr. Swimley stated the biosolids report, along with a few other reports, are due annually while the monitoring and reporting requirements are done quarterly.

In response to City Manager King, Mr. Swimley stated the City is fully staffed at the White Slough facility in response to coverage inquiries for licensed plant operators from the city of Galt.

In response to Council Member Hansen, Mr. Swimley stated licensed staff is generally trained in-house although higher permit holder positions may be recruited.

In response to Mayor Pro Tempore Hitchcock, Mr. Swimley stated the increase of approximately \$1 million in wastewater undesignated reserves is a combination of funding not being specifically earmarked, infrastructure replacement, and rates.

In response to Mayor Pro Tempore Hitchcock, Mr. Swimley stated over the 12-month period there could be a \$2 million undesignated reserve that would be offset by the debt service for operation, which is \$2.3 million.

In response to Council Member Hitchcock, Deputy City Manager Jordan Ayers stated the current numbers are a snapshot of what is as of December 31 and the numbers cannot necessarily be doubled to project year-end numbers.

In response to Council Member Mounce, Mr. Ayers stated the water fund has nominal debt service, which is primarily covered by revenues in the fund.

Interim Electric Utility Director Ken Weisel provided a PowerPoint presentation regarding the Fiscal Year Electric Utility quarterly update. Specific topics of discussion included an overview, financial results, operating expenditures, power supply, power sales, billing statistics, Energy Cost Adjustment revenue, Northern California Power Agency (NCPA) general operating reserve, open position, and conclusion for power costs, revenues, reserves, and supply.

In response to Council Member Mounce, Mr. Weisel stated the current reserve amount is consistent with the current policy for the minimum reserve amount.

In response to Mayor Pro Tempore Hitchcock, Mr. Weisel stated the \$3.5 million is not expected to annualize to \$7 million because costs will be higher in the second half of the year and year-end projections are not yet available.

In response to Council Member Hansen, Mr. Weisel stated staff will have a reserve amount study completed within the next few months to bring to Council for consideration. Mr. Schwabauer stated the City's portion of the NCPA/PG&E settlement as a participant is expected to be approximately \$650,000 and should be coming due in the next 60 days or so.

In response to Council Member Mounce, Mr. Weisel stated staff received on Thursday the figures due from NCPA as a result of their accelerated payments and will discuss options with the larger utility users on how to absorb the cost.

In response to Council Member Hitchcock, Mr. Weisel stated the payment acceleration by NCPA is expected to be a one-time event and will not be recurring.

In response to Council Member Hansen, Mr. Weisel stated the NCPA amount due was approximately \$900,000, about \$600,000 over what was anticipated.

In response to Council Member Johnson, Mr. Weisel and Mr. King stated staff can propose two sets of numbers to the larger utility users to see if they would like to absorb the entire cost upfront or spread it out over the next few months.

In response to Mayor Pro Tempore Hitchcock, Mr. King stated a narrative description and explanation of the NCPA cost on the utility billing may be more feasible than a separate line item.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:52 a.m.

ATTEST:

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Second Quarter Fiscal Year 2009/10 Water, Wastewater and Electric Utility Department Financial Reports

MEETING DATE: February 2, 2010

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the second quarter of Fiscal Year 2009/10 ending December 31, 2009.

BACKGROUND INFORMATION: In accordance with the Lodi Municipal Code, quarterly financial reports are to be prepared for the Water, Wastewater, and Electric Utilities. Highlights of the operations and financial performance of each utility will be presented at the meeting of February 2, 2010.

FISCAL IMPACT None directly related to the preparation of the report. However, the presentation is intended to keep the Council apprised of the financial conditions of the major municipal utilities.

A handwritten signature in black ink, appearing to read "Jordan Ayers".

Jordan Ayers
Deputy City Manager

APPROVED:

A handwritten signature in black ink, appearing to read "Blair King".
Blair King, City Manager



Public Works Department Water/Wastewater

FY 10 Quarterly Update (Through December 31, 2009)

City Council Shirtsleeve Session
February 2, 2010

Wastewater Operating Results

(Ending December 31, 2009)

	Budget	Actuals	% of Budget
Personnel	\$ 2,842,298	\$ 1,351,418	48%
Supplies, Materials, Services	2,413,728	697,898	29%
Equipment, Land, Structures	49,082	23,729	48%
Other Payments	172,357	110,345	64%
Communication & Transportation	925,550	443,114	48%
Work for Others	43,700	0	0%
Total Operating Expenses	\$ 6,446,715	\$ 2,626,504	41%

Wastewater Fund
Cash Flow Summary
Operations
(Ending December 31, 2009)

Revenue	
Sales	\$5,279,527
Other (interest, septic, misc.)	(153,181)
Total Revenues	5,126,346
Expenses	
Operating	2,626,504
Debt Service	708,375
Cost of Services Payment To General Fund	725,739
Total Expenses	4,060,618
Net Increase in Undesignated Reserves	\$1,065,728

Wastewater Funds
Cash Balances
(Ending December 31, 2009)

Operating (170)	\$3,127,850
Utility Capital / Infrastructure Replacement (171)	3,911,565
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(3,741,299)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	5,393,488
IMF (173)	2,114,469
Total	\$10,806,073

Water Operating Results

(Ending December 31, 2009)

	Budget	Actuals	% of Budget
Personnel	\$ 1,307,549	\$ 628,435	48%
Supplies, Materials, Services	737,011	195,973	27%
Equipment, Land, Structures	4,000	1,583	40%
Other Payments	1,464,250	954,286	65%
Communication & Transportation	917,040	438,791	48%
Work for Others	345,000	0	0%
Total Operating Expenses	\$ 4,774,850	\$ 2,219,068	46%

Water Fund
Cash Flow Summary
Operations
(Ending December 31, 2009)

Revenue	
Sales	\$3,374,325
Other (interest, septic, misc.)	55,599
Total Revenues	3,429,924
Expenses	
Operating	2,219,068
Debt Service	13,547
Cost of Services Payment To General Fund	530,061
Total Expenses	2,762,676
Net Increase in Undesignated Reserves	\$667,248

Water Funds
Cash Balances
(Ending December 31, 2009)

Operating (180)	\$2,982,839
Utility Capital / Infrastructure Replacement (181)	12,437,944
IMF (182)	(473,470)
PCE/TCE Settlements	14,494,172
PCE/TCE Rates (185)	2,253,423
Total	\$31,694,908



Water / Wastewater Utility Accomplishments

Operational

- Water Distribution
- Water Production
- Collection System
- Wastewater Treatment
- Regulatory
 - SSO's
 - Discharge Violations
 - Monitoring and Reporting



Electric Utility Department

FY10 Quarterly Update

(Through December 31, 2009)

City Council Shirtsleeve Session
February 2, 2010



Overview

- Net Power Costs down ~ \$1.1M from budget
- Non-power Costs down ~ \$1.6M
- Revenues down about \$2.6M
- NCPA Cash Reserve (GOR) up \$124K
- FY10 power supply is 94% hedged (Feb-Jun)



FY10 Financial Results

Through December 31, 2009

Revenue	FY10 Budget	YTD	% of Budget
Sales Revenues	72,570,671	37,745,658	52.0%
Other Revenues	579,000	55,425	9.6%
Total Revenues	73,149,671	37,801,083	51.7%
Expenses			
Purchased Power	43,969,873	21,167,549	48.1%
Non Power	13,792,750	6,026,240	43.7%
Total Expenses	57,762,623	27,193,789	47.1%
Net Revenue for Debt Service	15,387,048	10,607,294	68.9%
Debt Service	7,169,265	3,584,633	50.0%
Net Revenue	8,217,783	7,022,661	85.5%
In-lieu Transfer to General Fund	6,976,670	3,488,335	50.0%
Net Increase (Decrease)	1,241,113	3,534,326	
	June 30, 2009	Dec. 31, 2009	
Local Cash Balance	12,003,103	12,174,650	
GOR	5,904,783	6,029,196	
Total Available Cash	\$ 17,907,886	\$ 18,203,846	



Operating Expenditures

Through December 31, 2009

	FY10 Budget	Year to Date	% of Budget
Personnel	\$ 6,214,474	\$ 2,895,713	47%
Supplies, Materials, Services	2,070,264	917,047	44%
Equipment, Land, Structures	939,029	329,266	35%
Other Payments	1,143,849	168,624	15%
Communication & Transportation	68,750	37,397	54%
Total Operating Expenses	\$ 10,436,366	\$ 4,348,048	41.7%



Power Supply

Through Dec 31, 2009

	Estimated	Actual	Change	% Change
Generation	\$ 18,283,222	\$ 18,153,563	\$ (129,659)	-0.7%
Transmission	\$ 3,587,467	\$ 3,173,989	\$ (413,478)	-13.0%
Management Services	\$ 1,049,770	\$ 1,049,770	\$ -	0.0%
Third Party Revenue	\$ (642,318)	\$ (1,209,773)	\$ (567,455)	46.9%
Adjustments				
TOTAL	\$ 22,278,141	\$ 21,167,549	\$ (1,110,592)	-5.2%



Power Sales

Through Dec 31, 2009

	YTD Projections	YTD Actuals	% Difference
kWh	238,091,537	235,819,686	-1.0%
Revenue	\$40,321,570	\$37,745,658	-6.4%

	Year	HDD	Normal	CDD	Normal
July	2009	0	0	357	390
August	2009	0	0	335	363
September	2009	4	5	309	247
October	2009	111	76	20	73
November	2009	364	348	0	0
December	2009	600	609	0	0
FY10 Total		1,079	1,038	1,021	1,073



Billing Statistics

Through Dec 31, 2009

Projected			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	82,367,411	\$ 16,092,385	\$ 0.1954
Small Commercial	87,586,999	\$ 15,587,454	\$ 0.1780
Large Commercial/Small Industrial	18,365,109	\$ 2,901,399	\$ 0.1580
Industrial	49,772,018	\$ 5,740,332	\$ 0.1153
TOTAL	238,091,537	\$ 40,321,570	\$ 0.1694

Actual			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	83,965,795	\$ 15,129,198	\$ 0.1802
Small Commercial	85,953,903	\$ 14,693,401	\$ 0.1709
Large Commercial/Small Industrial	19,984,150	\$ 3,071,441	\$ 0.1537
Industrial	45,912,838	\$ 4,851,619	\$ 0.1057
TOTAL	235,816,686	\$ 37,745,658	\$ 0.1601



ECA Revenue

Customer Class	Q1	Q2	Total
Residential	\$ 295,418	\$ 480,611	\$ 776,029
Small Commercial	280,296	543,267	823,563
Large Commercial/Small Industrial	64,863	124,632	189,495
Industrial	147,550	286,102	433,653
Total ECA Revenue	\$ 788,127	\$ 1,434,612	\$ 2,222,739



NCPA “GOR”

GOR levels

- \$5,904,783 (June 30, 2009)
- \$6,029,196 (Dec 31, 2009)

- Interest income of \$17,965
- TANC Refund of \$106,448

\$124,413 Increase



FY10 “Open Position”

	Lodi Total Surplus/(Deficit)	kWh Load	% of Load	Lodi HLH Surplus/(Deficit)	kWh Load	% of Load	Lodi LLH Surplus/(Deficit)	kWh Load	% of Load
July 2009		46,171	0.00%		30,272	0.00%		15,900	0.00%
August		46,620	0.00%		30,533	0.00%		16,087	0.00%
September		43,715	0.00%		28,002	0.00%		15,713	0.00%
October		32,172	0.00%		21,102	0.00%		11,070	0.00%
November		28,566	0.00%		17,538	0.00%		11,027	0.00%
December		32,322	0.00%		20,506	0.00%		11,816	0.00%
January 2010		36,958	0.00%		22,594	0.00%		14,364	0.00%
February	(2,528)	31,941	-7.91%	(1,587)	20,646	-7.69%	(940)	11,294	-8.33%
March	(990)	34,466	-2.87%	(655)	22,725	-2.88%	(335)	11,741	-2.85%
April	(2,957)	35,235	-8.39%	(3,745)	22,891	-16.36%	789	12,344	6.39%
May	(3,167)	39,687	-7.98%	(3,118)	24,710	-12.62%	(49)	14,977	-0.32%
June	(732)	40,560	-1.80%	(1,258)	27,071	-4.65%	527	13,490	3.90%
FY Total	(10,373)	448,412	-2.3%	(10,364)	288,588	-3.6%	(8)	159,824	0.0%
Bal Yr Total	(10,373)	181,889	-5.7%	(10,364)	118,042	-8.8%	(8)	63,847	0.0%



Conclusion

- Net Power Costs down ~ \$1.1M from budget
- Non-power Costs down ~ \$1.6M
- Revenues down about \$2.6M
- NCPA Cash Reserve (GOR) up \$124K
- FY10 power supply is 94% hedged,
balance of year